

November 17, 2003

Honorable Members
Seattle City Council
600 4th Avenue
Seattle, WA 98104

Dear Council President and Members:

I strongly urge you to write a budget that recognizes fiscal realities.

The 2004 budget approved by the Council's Budget Committee on Friday is not sustainable. It takes a budget hole and digs it deeper.

Your budget:

- Ignores unavoidable costs while increasing spending.
- Raises false hopes among community groups and service providers that increased funds will be available.
- Uses the Emergency Subfund in violation of adopted financial policies.
- Papers over a very serious budget problem and makes it worse for next year.

To get control of City finances, we need to make tough choices now. Your budget, unfortunately, fails to fully address major financial challenges facing the General Fund next year.

The streetlight decision worsened our already-severe budget problem

The recent Washington State Supreme Court decision (Okeson v. Seattle) dug our budget hole much deeper by requiring the City's general fund to pay the \$6 million annual cost of operating streetlights. As you may recall, in 1999 seven of you who were then on the City Council unanimously passed Ordinance number 119747 and shifted the costs of operating streetlights from the City's general fund to Seattle City Light.

Simply put, the Washington State Supreme Court's unanimous decision means that we must find a way to pay for street light operations out of the general fund. This is a nonnegotiable cost — \$500,000 per month or \$6 million a year will not be available to pay for other important city services.

Following the ruling, the Council decided to comply immediately with the Court's decision and to include funds for this purpose in the 2003 supplemental budget. The council set aside another \$1.8 million in the 2004 budget. Those were moves in the right direction, and I applaud you for taking those actions. Unfortunately, the council did not fully or permanently address the remaining \$4.2 million expense for streetlights in 2004. The council's use of money from the Emergency Subfund does not address the underlying cost of streetlights and only creates an obligation to repay the subfund.

The Okeson decision will lead to another problem for our budget: potential refunds to ratepayers. The City could be ordered to provide some form of refund to City Light for the streetlight costs between late 1999 and November 2003. This refund totals about \$23 million, which if paid back over a number of years, would add up to \$5.5 million to next year's gap.

Taking both Okeson costs together, almost \$10 million will need to be cut from your 2004 budget before the ink is dry.

This is the wrong time to increase spending and create false hopes

Your budget compounds the Okeson problem for 2004 by adding between \$2.1 and \$2.5 million of new spending for ongoing programs. While most of these new expenses are for worthy purposes, the spending levels simply cannot be sustained given the fiscal challenges we face. Adding this spending misleads our citizens into thinking that all General Fund programs can be continued when they, in fact, may not.

We must face the problem ahead: a "bow wave" of new costs

Your budget weakens our financial position over the next two years. We already knew we faced \$10 million in 2005 for the added costs of new libraries and parks facilities. You added \$15 million to our problem. Adding new spending and avoiding the Okeson problem means our 2005 budget is already out of balance by \$25 million.

We cannot compromise the Emergency Subfund

I also object to the Council's use of the Emergency Subfund as a potential funding source for streetlights in 2004. I understand the Council intends to replace this spending with further cuts next year, but I believe even an implied use of the Emergency Subfund is inappropriate. The Budget Committee's proposal is in direct violation of the financial policies adopted by Council Resolution 30379, which require the Subfund to have a balance equal to the maximum allowed by State law at the beginning of each year and which restrict the uses of the Subfund to genuine emergencies or to expenditures that could not have been foreseen at the time the budget was adopted. Using the Emergency Subfund to potentially cover the costs of an ongoing obligation is completely contrary to our policies.

Let's control City finances

You know your budget is not sustainable. On Friday, the council issued a press release that acknowledged that more cuts will be necessary early in 2004. Inaction will worsen our problem and cause further disruption to City employees and the public.

I urge you to work with me now to take responsibility for the Okeson problem and act accordingly.

Sincerely,

GREG NICKELS
Mayor of Seattle